

## Message Text

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INFO OCT-01 EA-07 ISO-00 ACDA-05 ERDA-05 AID-05 CEA-01

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H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

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TO SECSTATE WASHDC 7664

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E.O. 11652: N/A

TAGS: ENRG, TECH, JA

SUBJECT: LATEST JAPANESE THINKING ON THE FUTURE COURSE  
OF JAPAN'S NUCLEAR INDUSTRY

REF: A. TOKYO 2086, B. TOKYO 2130, C. TOKYO 3385,  
D. TOKYO 3691

1. SUMMARY. REFTELS REPORTED ON DIFFERENT POINTS OF VIEW  
THAT HAVE BEEN UNCOVERED CONCERNING PROPOSED JAPANESE SALE OF  
NUCLEAR POWER PLANTS TO USSR. PURPOSE OF THIS CABLE IS TO  
REPORT INFORMATION GLEANED LARGELY FROM JAPANESE PAPERS ABOUT  
THE FUTURE OF JAPAN'S NUCLEAR INDUSTRY ON A MORE GENERAL  
BASIS, SINCE THERE APPEARS TO BE A RELATIONSHIP BETWEEN THESE  
STORIES AND THE ATTITUDES ON SALE OF PLANTS TO USSR.  
END SUMMARY.

2. ARTICLE IN FOLLOWING PARA APPEARED IN NIHON KEIZAI  
SHIMBUN (JAPANESE-LANGUAGE ECONOMIC DAILY) ON FEBRUARY 25;  
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WE HAVE NOT REPORTED ON IT PREVIOUSLY BECAUSE WE HAVE BEEN

TRYING TO DETERMINE HOW MUCH GOJ SUPPORT CAN BE ATTRIBUTED TO OPINIONS GIVEN. SO FAR EMBASSY CONTACTS WITH MITI HAVE RESULTED IN MITI DENIALS THAT IT INTENDS TO FOLLOW COURSE OUTLINED; SAME KIND OF ARTICLE APPEARED SEVERAL MONTHS AGO IN JAPAN ECONOMIC JOURNAL, ENGLISH-LANGUAGE WEEKLY VERSION OF NIHON KEIZAI, CAUSING SOME ANGUISH AMONG U.S. COMPANIES WHO ARE MAJOR NUCLEAR SUPPLIERS TO JAPAN. AT THAT TIME ARTICLE COULD NOT BE VERIFIED WITH MITI. BOTH ARTICLES MAY HAVE BEEN TRIAL BALLOONS DESIRED TO STIMULATE REACTION.

3. BEGIN TEXT OF TRANSLATION:

QUOTE. THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) IS GOING TO PROMOTE DOMESTIC PRODUCTION OF NUCLEAR EQUIPMENT IN ORDER TO FOSTER THE NUCLEAR INDUSTRY AS THE NUCLEUS OF JAPANESE INDUSTRIES IN THE FUTURE. THE POLICY IS BASED ON THE JUDGMENT THAT DEVELOPMENT OF NUCLEAR POWER IS ESSENTIAL TO STABLE SUPPLY OF ENERGY FROM THE STANDPOINT OF NATIONAL SECURITY AND THAT FOR THIS PURPOSE IT IS AN URGENT TASK TO MANUFACTURE EQUIPMENT RELATED TO NUCLEAR ENERGY DOMESTICALLY. THIS TASK IS AS URGENT AS OTHER TASKS SUCH AS CONSTRUCTION OF ATOMIC POWER PLANTS AND ENSURING SAFETY OF OPERATIONS. SPECIFICALLY, MITI IS CONSIDERING (1) CARRYING OUT QUANTITATIVE REGULATION OF IMPORTS OF NUCLEAR EQUIPMENT SO LONG AS IT CAUSES JAPAN NO INCONVENIENCE IN LIGHT OF THE SUPPLY-DEMAND PROGRAM ON NUCLEAR ENERGY, (2) UTILIZING LOANS FROM THE JAPAN DEVELOPMENT BANK IN PROMOTING TECHNICAL DEVELOPMENT OF REACTORS. THE MINISTRY IS HOPEFUL THAT BY DEVELOPING SUCH INTERNAL MEASURES AND AT THE SAME TIME BY STRENGTHENING EXPORT STRATEGY, JAPAN'S NUCLEAR INDUSTRY CAN BE DEVELOPED INTO A "FUTURE INDUSTRY" WITH A 2 TRILLION YEN (\$ 7 BILLION) MARKET POTENTIAL. THE IMPORTANCE OF NUCLEAR ENERGY HAS BEEN KEENLY FELT SINCE THE OIL CRISIS IN THE FALL OF 1973. LAST YEAR, THE AGENCY OF NATURAL RESOURCES AND ENERGY OF MITI ANNOUNCED A 49 MILLION KW TARGET FOR ATOMIC POWER FOR 1985, AND HAS SINCE BEEN WORKING ON POWER PLANT SITING, NUCLEAR FUEL ACQUISITION AND OTHER CONCRETE MEASURES. HOWEVER, NUCLEAR POWER PLANTS CURRENTLY IN OPERATION NUMBER ONLY 10 WITH A COMBINED POWER OUTPUT OF 5.3 MILLION KW. THE SITUATION OVERSHADOWS THE PROSPECT OF ACHIEVING THE ANNOUNCED TARGET LIMITED OFFICIAL USE

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FOR ATOMIC POWER GENERATION. MITI NOW PLANS TO CARRY OUT THE FOLLOWING MEASURES BEGINNING IN THE FISCAL YEAR 1976: (1) TO REFORM ATOMIC ENERGY ADMINISTRATION SO AS TO DEVELOP PROGRAMS FOR ENSURING SAFETY AND FOR ENVIRONMENTAL PROTECTION, (2) TO IMPROVE PUBLIC RELATIONS ORGANIZATION SO AS TO ELIMINATE THE PEOPLE'S "NUCLEAR ALLERGY" AND THEREBY ACCELERATING THE CONSTRUCTION OF ATOMIC POWER PLANTS, AND (3) TO MAP OUT A COMPREHENSIVE PROGRAM ON FUEL

CYCLE SYSTEM AIMING TO ESTABLISH A SYSTEM IN 1985 IN VIEW OF THE HUGE FUNDING REQUIREMENT INVOLVED. MITI'S POLICY FOR DOMESTIC PRODUCTION OF NUCLEAR-RELATED EQUIPMENT AND MACHINERY IS DESIGNED TO BUILD UP AN ENVIRONMENT CONDUCTIVE TO ESTABLISHING JAPAN'S OWN TECHNOLOGICAL ORGANIZATION RELATIVE TO ATOMIC POWER GENERATION AND ITS RELATED INDUSTRIES. ATOMIC REACTORS AND THEIR COMPONENTS HAVE BEEN DESIGNATED AS ITEMS SUBJECT TO IMPORT QUOTA UNDER THE IMPORT TRADE CONTROL ORDINANCE FROM THE STANDPOINT OF NATIONAL SECURITY. ACTUALLY, HOWEVER, THEIR IMPORT INTO JAPAN HAS BEEN PERMITTED ALMOST AUTOMATICALLY. WITH A VIEW TO PROMOTING "BUY JAPANESE" AS MUCH AS POSSIBLE, MITI IS CONSIDERING QUANTITATIVE REGULATION OF IMPORTS OF NUCLEAR ENERGY RELATED EQUIPMENT IN LINE WITH THE SUPPLY-DEMAND PROGRAM FOR NUCLEAR ENERGY. AS DEVELOPMENT OF NEW TYPE REACTORS REQUIRES A LARGE AMOUNT OF MONEY WHICH CANNOT POSSIBLY BE SHOULDERED BY PRIVATE INDUSTRY ALONE, MITI ALSO PLANS TO PROVIDE AID TO PRIVATE INDUSTRY. A JAPAN DEVELOPMENT BANK LOAN PROGRAM INVOLVING AN OUTLAY OF 50 BILLION YEN (\$170 MILLION) HAS BEEN INCLUDED IN THE FISCAL YEAR 1976 BUDGET FOR THIS PURPOSE.

ATOMIC ENERGY INDUSTRY COVERS AN EXTREMELY WIDE AREA INCLUDING PRODUCTION AND TREATMENT OF NUCLEAR SUBSTANCES SUCH AS URANIUM, MANUFACTURE OF REACTORS AND THEIR COMPONENTS, AND PRODUCTION OF CONTAINERS FOR TRANSPORTATION AND OTHER RELATED EQUIPMENT. ACCORDING TO A REPORT OF THE JAPAN ATOMIC INDUSTRIAL FORUM, ATOMIC ENERGY RELATED SALES (IN THE MINING AND MANUFACTURING INDUSTRIES) FOR THE FISCAL YEAR 1974 AMOUNTED TO 279,400 MILLION YEN (\$930 MILLION), WHICH REPRESENTED AN INCREASE OF ABOUT 1.7 TIMES THE 1973 SALES. THE PRINCIPAL ITEMS RELATED TO MATERIAL FOR REACTORS, CIVIL ENGINEERING AND POWER GENERATION AND TRANSFORMERS. FOR THE FISCAL YEAR 1979, AN EXPENDITURE OF MORE THAN 20 BILLION YEN (\$70 MILLION) IS ESTIMATED FOR INSTALLATION LIMITED OFFICIAL USE

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EXPENSES ONLY. IF TEN NUCLEAR POWER PLANTS ARE BUILT WITHOUT A HITCH TO ATTAIN THE ANNOUNCED TARGET BY THE FISCAL YEAR 1985, IT IS EXPECTED THAT THE DEMAND FOR PLANT EQUIPMENT WILL AMOUNT TO SEVERAL BILLION DOLLARS.

MEANWHILE, THERE IS A STRONG POSSIBILITY THAT WITH IMPROVEMENT OF DOMESTICALLY MANUFACTURED EQUIPMENT JAPAN WILL BE APPROACHED BY EAST EUROPEAN AND THE MIDDLE EAST COUNTRIES FOR COMMERCIAL NEGOTIATIONS AS SHE WAS BY THE SOVIET UNION RECENTLY. HENCE, THE PROSPECT FOR A 2 TRILLION YEN MARKET FOR JAPAN-MADE NUCLEAR EQUIPMENT. MITI EXPECTS THAT JAPAN'S ATOMIC POWER INDUSTRY WILL GROW INTO A PROMISING KNOWLEDGE-INTENSIVE INDUSTRY ALONG WITH COMPUTERS AND AIRCRAFT. UNQUOTE. END TEST.

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4. SAME NEWSPAPER CARRIED RELATED STORY ON MARCH 8, NOW TYING PROPOSED INCREASED RELIANCE ON DOMESTIC PRODUCTION OF NUCLEAR POWER PLANTS, AIRCRAFT SPACE HARDWARE, AND OTHER HIGH TECHNOLOGY ITEMS TO LOCKHEED SCANDAL AND NEED TO DIVORCE JAPAN FROM OVER-RELIANCE ON IMPORTED TECHNOLOGY. FOLLOWING IS TEXT OF TRANSLATION:

5. BEGIN TEXT. QUOTE. RECENTLY THERE HAS BEEN A GROWING TENDENCY IN JAPAN'S HIGH TECHNOLOGY INDUSTRIES SUCH AS DEFENSE, AIRCRAFT, SPACE AND NUCLEAR ENERGY TO PROMOTE INTER-CORPORATE COLLABORATION FOR TECHNOLOGY DEVELOPMENT BY ELIMINATING COMPETITION. THE LOCKHEED CASE IS LIKELY TO SERVE TO ACCELERATE THE TENDENCY. IN SOME QUARTERS, OPINIONS ARE BEING EXPRESSED CRITICIZING THE PAST TENDENCY TO RELY EXCESSIVELY ON IMPORTED FOREIGN TECHNOLOGY. VOICES ARE BEGINNING TO BE HEARD URGING A REVIEW OF SEVERAL ON-GOING RESEARCH AND DEVELOPMENT PROJECTS AND BUILDING UP A COOPERATIVE SETUP FOR DOMESTIC DEVELOPMENT OF TECHNOLOGY. IN THE NUCLEAR EQUIPMENT INDUSTRY, MOVES ARE AFOOT TO ESTABLISH JAPAN'S OWN DEVELOPMENT AGENCY FOR A HIGH

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TEMPERATURE GAS REACTOR, A TYPE OF REACTOR CONSIDERED ONE OF THE MOST PROMISING NUCLEAR REACTORS IN THE FUTURE. MOVES FOR THE DEVELOPMENT OF THE HIGH TEMPERATURE GAS REACTOR HAD BEEN TAKEN BY VARIOUS FIRMS WITHOUT COORDINATION. MITSUBISHI HEAVY INDUSTRIES ATTEMPTED TO INTRODUCE TECHNOLOGY FROM GENERAL ATOMIC BY ITSELF AND TOKYO SHIBAURA ELECTRIC WAS SEEN MOVING FOR A TECHNICAL TIEUP WITH WEST GERMANY'S GHT.

AS MITSUBISHI WASHED ITS HANDS OF THE DEAL WITH GA, HOWEVER, MOVES FOR ORGANIZING A CARTEL IN JAPAN BEGAN TO DEVELOP. TOSHIBA'S MOVES FOR A TIEUP WITH GHT ARE DESIGNED TO ELEVATE ITS OWN TECHNOLOGICAL LEVEL SO THAT IT CAN COLLABORATE WITH OTHER FIRMS ON AN EQUAL FOOTING WITH MITSUBISHI. THESE MOVES ARE TAKEN TO MEAN THAT THE BASIS FOR A JAPANESE CARTEL FOR THE DEVELOPMENT OF THE HIGH TEMPERATURE GAS REACTOR HAS NOW BEEN ESTABLISHED. THE TENDENCY TOWARD COLLABORATION IS ALSO BEING SEEN IN THE DEVELOPMENT OF AIRCRAFT. DOMESTIC PRODUCTION OF PXL (NEXT-PHASE ANTI-SUB PATROL PLANE) IS NOW A UNIFIED DEMAND OF THE AIRCRAFT INDUSTRY NOW THAT THE IMPORT OF LOCKHEED'S P3C HAS BEEN JUDGED ALL BUT HOPELESS. DEMAND FOR DOMESTIC PRODUCTION OF PXL HAD BEEN IN EXISTENCE FOR SOME TIME, BUT THE INDUSTRY HAD NOT BEEN UNITED IN THEIR APPROACH BECAUSE THE MAIN CONTRACT FOR PXL DEVELOPMENT HAD BEEN AWARDED TO KAWASAKI HEAVY INDUSTRIES.

JOINT DEVELOPMENT IS UNDER WAY FOR ASM (AIR-TO-SURFACE MISSILE) BY SIX COMPANIES. IN CASE DEFENSE EQUIPMENT IS TO BE DEVELOPED AND PRODUCED DOMESTICALLY IN FUTURE, THESE COMPANIES WILL IN MANY CASES COOPERATE WITH EACH OTHER. IN THESE HIGH TECHNOLOGY INDUSTRY AREAS, DEVELOPMENT REQUIRES A HUGE AMOUNT OF MONEY. IT IS DIFFICULT FOR ONE COMPANY TO UNDERTAKE DEVELOPMENT WORK ON ITS OWN. IN MANY CASES, JAPANESE CORPORATIONS AND MANUFACTURERS COLLABORATE WITH THOSE OF OTHER COUNTRIES, ESPECIALLY THE U.S., IN COMPETING FOR ORDERS. THIS IS WHERE SCANDALS LIKE LOCKHEED ARE SPAWNED. IN THE FIELD OF SPACE ACTIVITIES, DEVELOPMENT HAS BEEN UNDER WAY FOR APPLICATIONS SATELLITES SUCH AS THE METEOROLOGICAL, COMMUNICATIONS AND BROADCASTING SATELLITES. AS A MATTER OF FACT, JAPANESE MANUFACTURERS INVOLVED ARE MERELY FUNCTIONING AS TRADING FIRMS;

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THEIR COMPETITION FOR ORDERS IS THEREFORE CALLED A "PROXY WAR" FOR AMERICAN MANUFACTURERS.

IT IS TRUE THAT THE PERSONS CONCERNED, BOTH GOVERNMENTAL AND PRIVATE, ARE BEGINNING TO REFLECT UPON THESE PRACTICES. NOT A FEW PEOPLE EXPECT THAT CLARIFICATION OF THE LOCKHEED CASE WILL PROVIDE A GOOD OPPORTUNITY FOR JAPAN TO REVIEW THE CURRENT SETUP FOR TECHNOLOGY DEVELOPMENT. SOME PEOPLE ARE OF THE VIEW THAT A COLLABORATION SETUP FOR JAPANESE INDUSTRY WILL BE ESTABLISHED IF JAPAN REVISES THE CURRENT SYSTEM OF DEVELOPMENT IN FAVOR OF GIVING PRIORITIES TO CERTAIN DEVELOPMENT PROJECTS WHICH STAND A GOOD CHANCE OF SUCCESS. UNQUOTE. END TEXT.

6. IT APPEARS TO EMBASSY THAT DRAGGING IN LOCKHEED SCANDAL AT THIS JUNCTURE IS ONLY A PLOY BEING USED BY INDUSTRIAL CIRCLES (AND PROBABLY PART OF MITI) WHO HAD SUPPORTED POSITION SHOWN IN PARA 3 ABOVE, TO TAKE ADVANTAGE OF CURRENT HIGH PUBLIC EMOTIONS ON LOCKHEED MATTER. HOWEVER, THIS APPROACH COULD PRODUCE RESULTS AND IS BEING WATCHED CLOSELY HERE. WE ARE MINDFUL OF PREVIOUS CUTTING OF TIES WITH U.S. MANUFACTURERS BY FRG AND FRENCH NUCLEAR INDUSTRY, AND THERE IS NO QUESTION BUT THAT JAPANESE COMPANIES ARE ACUTELY AWARE OF THESE PAST EVENTS ALSO. SHOESMITH

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## Message Attributes

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